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DUE DILIGENCE CIRCULAR FOR DEBT SECURITIES BY DEBENTURE TRUSTEES - DEFERRED

15 January 2020

The Securities and Exchange Board of India (SEBI) *vide* various circulars in October and November 2020 had substantially streamlined the process of issuance and listing of debt securities. SEBI through its circular dated 03 November 2020 had specified comprehensive guidelines for creation of security and due diligence to be carried out by the debenture trustee (s) in relation to issuance of listed debt securities (Circular).

The Circular, *inter alia*, required the debenture trustee to carry out an independent diligence to ensure that the assets offered as a security for debt securities are sufficient to discharge the interest and principal amount with respect to the debt securities and to provide a due diligence certificate prior to the issue and post issue in relation to security creation by the issuer. Further, it required the issuer to create charge on the security stipulated in the offer document, prior to making the application for listing of debt securities, with the stock exchanges within 2 working days of the allotment of debt securities. The Circular was to become effective on 1 January 2020. We had previously discussed in detail the features of the said Circular. To know more click [here](#).

Now pursuant to various representations received by SEBI from the debenture trustees and after taking into consideration the challenges arising out of the prevailing business and market conditions due to Covid-19 pandemic, SEBI has decided to extend the implementation date of the said circular to 1 April 2021.

Comments: The extension in the implementation date of the Circular will provide relief to many issuers already struggling with operations amidst the prevailing Covid 19 pandemic and grant additional time to the debenture trustees to build necessary infrastructure to undertake the due diligence contemplated in the Circular. However, the other circulars issued by SEBI in relation to: a) mandating the issuer to create a recovery expense fund, through circular dated 22 October 2020; and b) monitoring and disclosures by Debenture Trustee through circular dated 12 November 2020, will be effective from 01 January 2021 and no extension in the implementation date has been provided for the same.

- Manisha Shroff (Partner), Riya Bhattacharjee (Principal Associate) & Akshay Ferdinand (Associate)

For any queries please contact: editors@khaitanco.com

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